

Intergovernmental Water Board

Meeting Minutes

March 8, 2006

Members Present: Patrick Carroll, Beverly Froude, Bill Scheiderich, Dick Winn and Sydney Sherwood (alternate for Tom Woodruff)

Members Absent: Tom Woodruff

Staff Present: Public Works Director Dennis Koellermeier
IWB Recorder Greer Gaston

1. *Call to Order, Roll Call and Introductions*

The meeting was called to order at 5:30 p.m.

2. *Approval of Minutes – February 8, 2006*

Commissioner Carroll motioned to approve the February 8, 2006, minutes; Commissioner Winn seconded the motion. The motion was approved by unanimous vote.

3. *Sherwood/Willamette River Water Coalition Presentation (WRWC)*

Mr. Koellermeier introduced this item and relayed it would be the main topic of discussion when the board meets with the Tigard City Council on March 21, 2006.

The founding document of the WRWC requires members who plan to expand the Willamette River water supply system to notify fellow members of their intentions. The City of Sherwood, having secured voter approval, and the Tualatin Valley Water District (TVWD) have indicated their intent to go to the Willamette River and have given such notice. Tigard and other WRWC members now have 90 days to inform the WRWC if they want to participate in either the Sherwood or TVWD projects.

The WRWC is made up of the TVWD, and the cities of Tigard, Tualatin, Canby, Sherwood and Gladstone.

The Sherwood project will consist of the construction of a transmission pipeline from Wilsonville. Plant expansion is not part of the project, as Sherwood is negotiating to buy TVWD assets in the existing treatment plant. Due to issues of elevation, routing and timing, the Sherwood pipeline project offers little benefit to Tigard. At the WRWC May meeting, Tigard's representative will need to relay Tigard's decision to participate in this project.

The Willamette River intake pipe is sized for 120 mgd with 10 mgd capacity in the treatment plant. The later can be expanded in 5 mgd increments up to 120 mgd.

TVWD has also given notice that they are pursuing a Willamette River project. The TVWD board directed its staff to build the necessary components to have water into their district within 500 days. This aggressive timeline has occurred since the TVWD is seeking to avoid having to purchase Portland water after the current contract expires in June, 2007. The TVWD project will include substantial treatment plant expansion and transmission pipelines which will travel through or adjacent to Tigard. As with the Sherwood project, Tigard will need to make a decision regarding the City's participation in this project.

In the TVWD expansion senario, the treatment plant would pump water into Tigard's 470-foot elevation storage reservoir and no further pumping would be required. Issues related to participation in the TVWD project include:

- the vote to use Willamette River as a drinking water source
- financing
- participants

If all WRWC members participate, a 96-inch diameter transmission line is proposed; this would be the largest water pipeline in Oregon. The project is complex and will require expensive infrastructure expansion.

A legal analysis of Tigard's charter amendment, prohibiting the use of the Willamette River as a source of drinking water, is underway. Legal counsel may find the amendment does not prevent the City from participating in the expansion project, since a favorable Willamette River vote may occur in the future.

The TVWD is meeting tonight to decide what to do regarding the Portland water contract. The outcome of this meeting may result in changes to their Willamette River project.

4. Asset Ownership Discussion

Commissioner Scheiderich noted he had asked his fellow IWB members to investigate and report on any concerns they had regarding asset ownership. The topic arose due to the proposed remodel and the relocation of the Public Works Department into the water building. Commissioner Froude advised the Tigard Water District (TWD) had not met, but would take the item up at its next meeting.

Commissioner Carroll summarized a letter detailing Durham's position on asset ownership, stating the water building was a system asset as defined in the intergovernmental agreement. If the building or portions of the building are used for purposes unrelated to the water system, then the water district should be compensated. If Tigard chooses to dispose of the building, this would need to be negotiated among the four IWB members. Commissioner Carroll added the building is an asset of the water service area and not the City of Tigard. The letter is on file in the IWB record.

Commissioner Winn reviewed the issue of asset ownership with Attorney Eileen Eakin. They concluded assets are part of the Tigard Water District and, according to the intergovernmental agreement, can be dispensed with by the city in which they reside. Since the water building is within Tigard's city limits, it falls under Tigard's jurisdiction. King City has no issues with asset ownership provided that any action taken does not affect the water distribution system, water quality, or create any financial exposure for King City.

Commissioner Froude said she will contact the TWD chairperson and ask him to raise the asset ownership issue with their attorney.

Mr. Koellermeier indicated he had shared plans to remodel the water building and by extension to determine its use. As discussed previously, the City will be moving ahead with the water building improvements, since the issue is a financial question rather than a use issue. The improvements will come from the Public Works Department budget and the City is focusing on the less expensive remodeling options. Improvements will begin in June or July and be completed by this fall. The remodeling and future operational costs will be shared among the building's various public works users.

Commissioner Scheiderich clarified that the board's issue was whether the City pays overhead rent to the water fund for non-water related staff who occupy a water fund asset such as the water building. Is the building an asset for use in delivering water to the board's members?

Mr. Koellermeier replied the water fund is not being asked to subsidize the capital or the operating costs.

A question was posed about whether the water fund would receive any compensation for the non-water related use of the building. For example, assuming some park functions will be housed in the water building, will the parks department pay overhead to the water fund? It was asserted that if the building is a water system asset, then revenue should go to the water fund.

Mr. Koellermeier responded that in lieu of paying rent, the operational costs of the building would be paid by the building's occupants. In the past, operational costs, such as heat and water, would have been billed to the water fund.

Commissioner Carroll said that in addition to the operational costs, the square footage of the building also had value.

Mr. Koellermeier asked if it was the position of the IWB that this building be turned into profit center. Commissioner Scheiderich considered the building an asset of the water system and suggested non-water related users should be charged overhead. This revenue should be credited to the water system. This is a paper and money issue and should not delay the remodel.

King City and Durham's positions on asset ownership differ as to which jurisdiction the asset belongs to - Tigard or the water system.

Mr. Koellermeier suggested resolution to the issue will revolve around the definition of "other assets" versus "system assets" and which type of asset the building is ultimately determined to be. Other assets were generally described as assets that did not have value to the overall supply of the system. Under the IGA, these assets were transferred to the city in which they reside. This information is taken from an IGA and no fee or transfer of title occurred.

Commissioner Winn said the IGA is straightforward and says other assets not necessary for the operation of the City of Tigard's water supply system, like the water building, become the property of the jurisdiction in which the asset is located. Mr. Koellermeier added that this language came directly from a provision in state law related to the dissolution of a water district.

Commissioner Scheiderich stated the board was not finished discussing charges related to the use of the building, but recommended the City proceed with remodel. Commissioner Carroll said the building should remain for the benefit of the TWD, King City and Durham - not for the City of Tigard.

The item was tabled and will be revisited at the board's next meeting.

Mr. Koellermeier suggested the attorneys representing the City and the TWD review the issue and determine if there is a solution. The fact that some portion of the building does house water operations makes this matter more confusing.

NOTE: Commissioner Scheiderich left the meeting at 6:06 p.m.

5. Portland/Joint Water Commission Updates

Mr. Koellermeier relayed the Joint Water Commission (JWC) is working on the final draft of the environmental impact statement. No major decisions will be needed until May or possibly November. Tigard is still a member of the JWC and will lease about two mgd for four months. This water will be used to fill storage facilities.

Both Tigard and Lake Oswego have signed off on the IGA for a water system plan and work on the plan should begin soon. Consultant selection is ongoing. The study should:

- help Lake Oswego identify how much water could be made available to Tigard
- identify potential problems
- provide information on the cost to develop and pump this source

Lake Oswego has 34 mgd in senior water rights and some junior water rights. Mr. Koellermeier cautioned against factoring-in junior rights since they are subordinate to any state rights. Mr. Koellermeier said 9 or 10 mgd might be a reasonable amount of water to expect from Lake Oswego, with 12 mgd probably being an upper limit. The IWB's future

need is anticipated to be 20 mgd. Tigard's ultimate solution could be a combination of water sources.

Five wholesalers met again with Portland and the outcome was that Portland offered a conceptual 10-year contract along with the 20-year contract. Portland's profit is based on the bond buyer's index. In the 10-year and 20-year contracts, Portland's profit would be 1 percent or one-half of 1 percent respectively. The contract is still "take or pay." Mr. Koellermeier reported he has asked Portland about the original May deadline and if the City's decision can be delayed. This will probably mean the City will go into next year with the existing contract and pricing. Issues surrounding the Portland contract include the length of the contract and take or pay terms.

By pushing the Portland decision out, there will be more information available on other options. Tigard's approach may be to commit to a smaller amount of water through a contract and supplement this with cheaper interruptible water. The 10-year contract may work for Tigard.

6. *Informational Items:* None.

7. *Public Comments:* None.

8. *Non-Agenda Items:*

Commissioner Winn recommended a publication called the *Water of Life* published by Scientific American. He asked if additional copies could be distributed to fellow board members.

9. *Next Meetings*

- Joint meeting with the Tigard City Council
Tuesday, March 21, 2006, 6:30 p.m.- Town Hall
- IWB meeting
April 12, 2006, 5:30 p.m. - Water Auditorium

10. *Adjournment*

At 6:34 p.m. Commissioner Winn motioned to adjourn the meeting; Commissioner Sherwood seconded the motion. The motion was approved by unanimous vote.



Greer A. Gaston, IWB Recorder

Date: April 12, 2006